

FISCAL NOTE

SB 46

January 19, 2007

SUMMARY OF BILL: Limits salaries and total annual benefits for the Chief Executive Officer (CEO) and other corporate officers of the Tennessee Education Lottery Corporation (TELC). Prohibits bonus compensation being paid to TELC employees based on sales, performance, or any other factor. Limits to ten days the number of accrued leave days that the CEO can be paid for following separation from the TELC.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – TELC expenditures are estimated to decrease by \$912,000 per year. Any reduction of TELC expenditures could fund additional scholarships or other constitutionally permissible expenditures provided there is no offsetting or greater decrease of lottery sales revenue.

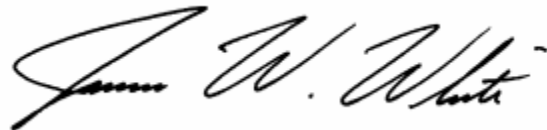
Assumptions:

- This act shall take effect July 1, 2007.
- This bill limits compensation paid to the CEO of the TELC to the salary paid to the Governor of Tennessee.
- T.C.A. 8-1-102 states that the salary of the Governor shall be the same as the Chief Justice of the Tennessee Supreme Court.
- According to the Supreme Court, the salary paid to the Chief Justice is \$155,000 per year.
- Governor's salary is \$155,000 per year.
- According to the TELC, their CEO was paid approximately \$625,251 in FY05-06 (salary plus incentive pay).
- This bill limits compensation paid to other TELC employees to 90% of compensation paid to the CEO.
- 90% of \$155,000 is \$139,500 per year.
- "Officer" means an employee of the TELC serving at the level of vice-president or higher.
- According to the TELC, five other employees (all corporate officers) were paid more than \$139,500 in FY05-06 (for a total of \$1,039,294).
- Salary expense for the TELC would decrease approximately \$470,251 from the reduced salary of the CEO (\$625,251 - \$155,000 = \$470,251).

- Salary expense for the TELC would decrease approximately \$341,794 from the reduced salaries of the other five corporate officers ($\$1,039,294 - [5 \times \$139,500] = \$341,794$).
- Total salary expense savings for the TELC is estimated to be \$812,000 per year ($\$470,251 + \$341,794 = \$812,045$).
- Annual benefits include costs for health and dental insurance, retirement plan contributions, FICA/Medicare, disability, sick time, and life insurance.
- Cost savings associated with any reduced annual benefits are estimated to be \$100,000 per year.
- The net decrease to TELC expenses are estimated to be approximately \$912,000 per year ($\$812,000$ from salaries/incentives + $\$100,000$ from reduced benefits = $\$912,000$).
- Gross ticket sales remain constant.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with a large initial "J" and a stylized "W".

James W. White, Executive Director